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PROVISIONAL SUMMARY RECORD OF THE 15th MEETING

Held at Headquarters, New York,
on Tuesday, 7 July 1992, at 10 a.m.

President:	Mr. MROZIEWICZ	(Poland)
later:	Mr. SOMAVIA (Vice-President)	(Chile)

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Policy dialogue and discussion on important developments in the world economy and international economic cooperation with heads of multilateral financial and trade institutions of the United Nations system

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The meeting was called to order at 10.25 a.m.

Mr. Somavia (Chile), Vice-President, took the Chair.

POLICY DIALOGUE AND DISCUSSION ON IMPORTANT DEVELOPMENTS IN THE WORLD ECONOMY AND INTERNATIONAL ECONOMIC COOPERATION WITH HEADS OF MULTILATERAL FINANCIAL AND TRADE INSTITUTIONS OF THE UNITED NATIONS SYSTEM (E/1992/27, E/1992/40, E/1992/64 and E/1992/82 and Add.1)

Mr. PRESTON (President, World Bank) said that the first imperative was to promote sustainable economic growth, without which no country had been able to reduce poverty over an extended period. For growth to occur, Governments must create an enabling environment for enterprise by opening up economies to trade and investment and by encouraging efficiency and productivity.

Adjustment programmes were an essential part of that process, although in implementing such programmes care must be taken to protect vulnerable groups. Moreover, growth must be accompanied by investment in human capital, and economic policy must be complemented by appropriate social policies. Additional resources were needed for human development, as were better allocation and use of resources on the part of both donors and recipients. One means of attaining those aims would be to place more emphasis on the role of women.

Sound environmental management was also an essential complement to economic growth. The poor, in particular, were often exposed to environmental hazards, so that environmental protection and poverty reduction were inextricably linked.

The United Nations Conference on Environment and Development recently held in Rio de Janeiro had made apparent the joint responsibility of developed and developing countries. Support had been expressed at that Conference for the expansion of the International Development Association's activities to cover national environmental issues, as well as for the expansion of the Global Environment Facility as a channel for tackling environmental questions.

(Mr. Preston)

The World Bank had provided support for sustainable development throughout the world, particularly in the poorest countries. Indeed, all World Bank lending was intended to alleviate poverty. As part of that approach, detailed poverty assessments had been initiated and would cover all the World Bank's developing member States by 1994. Specific policies would be devised on the basis of those assessments to ensure that the poor could participate in economic growth. The World Bank had also increased its participation in social programmes. Ultimately the success of the World Bank as a development agency must be judged in terms of its effectiveness in reducing poverty.

For the poorest countries, concessional lending was crucial. Donors were currently considering the tenth replenishment of the International Development Association, the World Bank's concessional lending affiliate. At the very least, the tenth replenishment must equal in real terms the ninth replenishment, failing which a central pillar in the strategy to reduce poverty would be undermined.

The challenge of sustainable development and poverty reduction could be met only through joint action by industrialized and developing countries. For its part, the World Bank was already cooperating with United Nations agencies in various projects and would increase its efforts to achieve the common objective.

Mr. CAMDESSUS (Managing Director, International Monetary Fund) said that the recent lessening of international tension had freed vast amounts of resources that could be used for development. At the same time there was increasing support for sounder economic policies, which were improving the lot of many people in many countries. It was thus a time of transition. Nevertheless, notwithstanding the gains for democracy, peace and progress were not assured and reform could yet be halted.

In such a context one essential question was how current institutions were contributing towards sustainable economic growth. The Rio Conference had raised awareness of the fact that economic growth and even the alleviation of poverty were not the only goals to be pursued, the real aim being to achieve high-quality growth.

(Mr. Camdessus)

Much could be done to increase effectiveness through improved cooperation in terms of four elements: well-conceived macroeconomic reform, effective development strategies, an open trading system, and social policies. After years of focusing on the first three in the form of adjustment policies, it was now high time to focus on the social element, without which the entire edifice was unlikely to stand.

The IMF role was to promote sound economic policy and mobilize aid for its members. After a decade in which the Fund had concentrated on debt problems and, more recently, following the integration of the successor States to the Soviet Union into the international monetary system, the focus would now be on the social and environmental aspects of economic policies and on finding new ways to assist the poorest countries. In particular, the Fund would focus on unproductive spending, including military expenditure, in an effort to assist its member States.

Some 80 countries were currently following economic recovery programmes, which, while being a sorry comment on the world economy, testified to the level of confidence in adjustment policies. Many countries had benefited from such programmes in recent years and had seen an improvement in their economic indicators accompanied by a reduction in poverty. There was every expectation that such progress would continue. Nevertheless, many countries had yet to make any real attempt at reform. It was important for the industrialized countries to understand that adjustment was a global phemonenon, and that they, too, needed to rid themselves of rigid structures and constraints not only in their own interest but in the interest of promoting world growth.

Paradoxically, those developing countries which had made progress in adjustment programmes currently constituted the driving force behind the world economy, whereas the industrialized countries were still feeling the effects of recession. In that context, the participants in the high-level segment would appreciate the vital importance of successfully concluding the Uruguay Round, which must neither be postponed nor be allowed to fail.

For further progress to be made, the level of development assistance must be increased and multilateral institutions must be provided with the resources they needed to meet the demands placed upon them. It was a simple fact that

(Mr. Camdessus)

domestic savings and private investment in the developing countries were not enough without an adequate level of development assistance. World leaders should understand that a number of extremely poor countries were simply not able to begin their own development without such assistance, which it should now be possible to provide at a time of declining international tension. All countries should meet the target of 0.7 per cent of GNP in providing development assistance. Another possible means of increasing development aid flows to the most needy countries would be the voluntary relinquishment of such aid by those developing countries which were already well embarked on the road towards sustained development, thus releasing funds for needier countries.

Even if those problems were resolved, the issue of social policy and its implementation in harmony with economic policy would remain. Social aspects must be reflected in adjustment policies in a fully coordinated manner. There was no doubt that inadequate attention had been paid to date to the social element. In particular, insufficient attention had been given to the linkage between structural adjustment and development and regional security in the form of integrating humanitarian aid into macroeconomic policies. There was, for example, relatively little funding for social "safety-net" policies and for human development. That problem could be resolved only by improving collective awareness of the importance of the social content of adjustment policies, by establishing credible institutional arrangements and by providing supplementary funding.

If coordination could be improved so that duplication was eliminated and mutually supportive initiatives were undertaken, improved financing would follow. It had to be admitted that the multiplicity of programmes had often served to discourage contributions and had provided pretexts for those who sought them.

With the use of existing machinery, particularly the Administrative Committee on Coordination, the revitalized Economic and Social Council and the new Commission on Sustainable Development, a social summit could be considered that would focus on recognition of the need to tackle social and economic problems together, to reorganize existing institutions and to secure more resources. If that could be done the United Nations system would then build a firm social component.

Mr. DUNKEL (Director-General, General Agreement on Tariffs and Trade) said that a major difference between the work of GATT and that of the World Bank and IMF was that it offered, instead of funds, a framework of contractually agreed rules leading to the development of trade. While the Uruguay Round was continuing, GATT was also hard at work in other areas, such as the implementation of tariff protocols, agreements on non-tariff barriers and accession protocols relating to a number of former centrally-planned economies in transition to market economies. It also monitored the evolution of customs unions and free-trade agreements throughout the world, collaborated with IMF in assessing balance-of-payments situations and their effect on trade restrictions, and dealt with dispute resolution. One important sign was the growing number of countries seeking observer or member status; if all the current applicants qualified, GATT could be declared, within one or two years, a universal trading institution, which would mean that the United Nations had achieved the goal, envisaged at its inception, of a single world-wide economic system.

The ambitious scope of the Uruguay Round could be seen in the fact that negotiations were no longer confined to external relations, such as tariffs, but involved national policy issues, hitherto unapproachable, such as matters relating to internal support in agriculture. Such a development was the more significant in that it could also apply to other fields of domestic policy - for example, in the context of IMF and World Bank programmes. The impulse of the real world was towards ever more coordination; but coordination policies could succeed only through impetus at the level of Governments.

Mr. DADZIE (Secretary-General, United Nations Conference on Trade and Development) said that the severity of the world economic recession reflected the presence of new factors. Relaxed monetary policies, though necessary, were unlikely to counteract the impact of domestic debt on spending. Private-sector spending was not enough: Governments needed to assume greater responsibility, and act to ensure financial stability and a higher level of activity. That implied close coordination of macroeconomic policies and provided a stronger case for resuming allocations of special drawing rights and stronger flows of concessional aid.

(Mr. Dadzie)

Developing countries had been undertaking painful adjustment measures over the past decade, and a growing number of them were in the vanguard of trade liberalization, although evidence suggested that if many of them tried to expand their exports they would face either growing protectionism or a fall in export prices. They must therefore must be more flexible by opening their markets and by displaying the utmost political will for a successful outcome of the Uruguay Round. Even that event could not lead to complacency; much would remain to be done in order that all developing countries, not just a few, would reap the benefits they had been assured would accrue from opening their economies.

Development was seen increasingly as an equitable process aimed at improving the human condition, and political arrangements were deemed viable only to the extent that they were based on popular consent. There was growing consensus on the need for economic-policy support at the national and international levels; reliance on market forces and entrepreneurship had become common. Sustainable-growth criteria were no longer confined to avoiding inflation, payment imbalances and cyclical swings, but embraced medium-term growth potential. Priority was likewise recognized for such aspects as poverty and hunger eradication, human-resources development and environmental protection. To build on those common perceptions was the international community's most important current task.

The developing countries were, of course, primarily responsible for their own development; there was no substitute for sustained national policies. The countries in transition to market economies faced major tasks in that regard, such as establishing convertible currencies and opening their economies.

Growing attention was being given to the quality of public management in development efforts. The aim was not simply to establish a predictable framework for private-sector activity but also to put in place sound, responsible regulatory institutions. With regard to the international aspects of good management, a favourable international economic climate was essential to the developing countries' domestic efforts. The industrialized countries had a special responsibility to step up their efforts to invigorate world economic growth to that end.

(Mr. Dadzie)

The effectiveness of multilateral cooperation depended, however, on the concerted efforts of the United Nations family of organizations. The diversity of institutions and activities mirrored the range and scope of the world community's current concerns, but also underscored the Council's central coordinating role. Three key elements in policy coordination, for which the Council alone could provide the requisite leadership, were a framework within which each part of the system could play its proper role in concert with others; recognition of the Council as the source of the requisite political decisions; and guidance for overall planning, programming and evaluation.

UNCTAD stood ready to contribute to the further development of multilateral cooperation. Its central development mission had given it a unique perspective on the interrelationship of the wide range of trade and development issues. The far-reaching institutional reforms agreed upon at its eighth session should enhance its capacity to contribute to United Nations joint action; indeed, recent communiqués issued by ministers of the Non-Aligned Movement and the Council of Ministers for the Organisation for Economic Cooperation and Development (OECD) reaffirmed UNCTAD's role as a forum for constructive intergovernmental dialogue. One major outcome of that session was the emphasis on new methodology, involving rigorous analysis of national experiences and relevant international policy aspects as a basis for UNCTAD's activities. Likewise emphasized was the improved approach to negotiating processes, as well as recognition of UNCTAD as the most appropriate focal point, within the United Nations proper, for the integrated treatment of development and interrelated issues in key areas including trade, finance, investment, services and technology, in the interests of all countries, particularly the developing countries. UNCTAD had also been given a mandate on the issue of sustainable development. In UNCTAD's view, the need to develop cooperation among United Nations bodies to the utmost was imperative.

The PRESIDENT thanked the previous speakers for their statements and invited the members of the Council to proceed to an exchange of views.

Mrs. LANDRY (Canada), referring to the issues of environmental protection and sustainable development, asked whether the institutions represented at the current meeting had experienced any particular problems in matters involving assessment of the environmental impact of programmes for sustainable development. She also referred to cooperation between United Nations agencies and the Global Environmental Facility, and wondered whether any other ways were envisaged for promoting collaboration between United Nations bodies and the Bretton Woods institutions. Lastly, with regard to operational governance, she referred to the proposed establishment of a small executive body for each of the United Nations funds and programmes; she wondered whether the Bretton Woods institutions, which she understood already implemented such a system, would advocate its use elsewhere.

Mr. HUSSEIN (Ethiopia) said that the current debate reflected three aspects of undisputed importance: promotion of sustainable economic growth, investment in people and protection of the environment. The avowed goals were, however, not always wholeheartedly pursued in practice. For example, it had been noted that if the European Community, the United States and Japan lowered their trade barriers by 50 per cent, the developing countries' exports would be boosted by $50 billion at 1991 prices. But reciprocal trade and official development assistance could not alone lead to sustainable development, for which the chief requirement was investment. Action by the industrialized nations must therefore be sought, especially since the developing countries were, for the first time in decades, in the vanguard of trade liberalization measures, and their action must be reciprocated.

On the subject of reforming United Nations operational activities, referred to in the Nordic countries' joint memorandum (E/1992/91), it was clear that restructuring should begin in the United Nations system itself, where needless duplication should be eliminated.

Mr. RASHIDI (Morocco) said that, in the various approaches adopted by the Bretton Woods institutions, a fourth element, on social factors, had emerged. Morocco attached great importance to relations with those institutions and, since 1982, had been applying structural-adjustment programmes, which it deemed necessary. Those programmes, however, were

(Mr. Rashidi, Morocco)

inadequate by themselves. Strategies for growth required, inter alia, recognition of the importance of job promotion. In the past, increased employment had been viewed simply as a consequence of other measures; recently it had appeared as a strategic variable in World Bank and IMF programmes; henceforth it should be recognized as a target, and Governments which strove to promote such a strategy should be helped.

He also asked what could be done to recognize joint efforts as essential to a growth strategy, and what could be done to highlight the relationship between employment growth and its often neglected environmental impact. Although the most important part of any joint effort was the domestic element, a permanent international follow-up machinery was essential, especially in order to deal with unforeseen circumstances such as drought.

Mr. FADZIL (Malaysia) said that global economic integration was an irreversible process and that multilateral agencies, with their vast experience in dealing with developing countries, had a prominent role to play in helping those countries to participate in mainstream economic activities. In addition, the Group of Seven (major industrialized countries) should give due weight to the views and aspirations of developing countries when formulating their global strategies.

The standard development model propagated by the World Bank and IMF had proved to be a failure, and structural-adjustment programmes had in many cases resulted in even greater economic and social difficulties. The main responsibility lay with the undemocratic decision-making procedures of the Bretton Woods institutions, which failed to give proper weight to the specific needs of individual developing countries. Flexibility was preferable to rigid rules and conditions, and political factors should not influence the treatment accorded to individual countries.

The undemocratic voting structure of the Bank, which favoured donor countries, together with its intensive promotion of policies, meant that third-world development priorities were decided by a few countries in the North. The Bank's structure was also inimical to public participation or accountability.

(Mr. Fadzil, Malaysia)

The Bretton Woods institutions needed to work more closely with the United Nations system, with particular reference to the governance of the Global Environment Facility, which needed to be run more democratically if the environment was to be protected without prejudicing the right of the developing countries to development.

The World Bank and IMF were dominated by the North and had promoted or imposed policies detrimental to both development and the environment in the South. The Bretton Woods institutions needed to be reformed, taking into account current global developments, including the need for harmonization with the United Nations system in order to avoid contradictory decisions being adopted on issues dealing with global economic management. There was also a need for similar consistency in the decisions taken by the World Bank and the Group of Seven.

In addition, the World Bank should respond to the criticism, levelled by non-governmental organizations in particular, that it should not enjoy a monopoly over global economic management, including management of the environment. Apart from its lack of technical competence, the Bank's tendency to serve the interests of the market and of transnational corporations rather than the poor meant that it could not be trusted to manage the environment.

Sustainable growth was not possible unless a responsible approach was taken at both domestic and global levels. At the domestic level, increased investment and improved access to funds, technology and trade were needed, while at the global level a balance should be struck between enjoying the benefits of growth and shouldering the accompanying responsibilities. Multilateral agencies needed to redefine their objectives and priorities in accordance with nations' changing needs.

With regard to technological progress, the significant outlay and long gestation period required for research and development placed developing countries at a severe disadvantage, as did the restrictive rules on intellectual property rights. Access to technology would continue to be limited and very expensive, creating perpetual dependence on the part of developing countries, compounded by declining terms of trade in the commodity sector. Multilateral agencies could help bridge the technology gap by

(Mr. Fadzil, Malaysia)

promoting and financing technology transfer, acting as a clearing centre for technology, and setting up centres of excellence for selected research and development in developing countries.

Finally, his delegation was extremely concerned at the diversion of funds from the Bretton Woods institutions to the Commonwealth of Independent States and the countries of Eastern Europe. The Bretton Woods institutions had also failed to address the need to improve the global economic environment so as to allow more equitable competition and a fair chance for growth and development in developing countries engaged in serious and difficult economic reforms.

Mr. AL-HAMAD (Chairman, Committee for Development Planning) said that the short-term outlook for the world economy remained fragile, suggesting a need for active intervention through both monetary and fiscal policy. In Africa, moreover, the poor prospects for export earnings implied by slow world growth had been aggravated by drought, which had devastated agricultural production in many countries.

The main problems in the medium term were the unsatisfactory progress in stimulating growth and eradicating poverty in many developing countries; the difficult transition from centrally-planned to market-oriented economic systems; the poor prospects for increasing official development finance to the least developed countries; the need to integrate the concept of environmental sustainability in national and international development strategies; friction among the larger trading nations; and the failure to conclude the Uruguay Round.

The report of the Committee for Development Planning (E/1992/27) advocated a number of policy approaches including the successful conclusion of the Uruguay Round; an improved mix of fiscal and monetary policies in developed market economies; more adequate levels of official development finance to assist reform in countries in economic transition and in developing countries implementing far-reaching economic reforms; wider application of the "polluter pays" principle at national and international levels; greater access by the poor to resources and adequate investment in human development; compensation to developing countries for the cost of providing environmental

(Mr. Al-Hamad)

services to the international community; and improved national economic policies in developing countries.

The Committee's main recommendations for economic reform included the need to divert funds from military expenditure to human development; reform in the pricing of public services and in the public enterprise sector, including privatization and overhauling fiscal systems; elimination of anti-export bias in trade and industrialization policies; encouragement of inflows of direct investment; effective family planning; and measures to cope with the transitory social costs which often undermined reforms.

In addition, the Committee had concluded that in many developing countries economic reform and development were hampered by a lack of transparency and accountability in government decision-making and the denial of fundamental human rights to large segments of the population.

On the question of reform of the United Nations system, he agreed with the Secretary-General that a more integrated approach to the exercise by the United Nations of its political and economic and social functions would imply changes in the structure and methods of work throughout the system. The need for reform had been clearly highlighted by the Nordic proposals (E/1992/91), and any reform programme must involve flexible cooperation among agencies with overlapping spheres of interest, greater consistency in the positions adopted by member States in the various governing councils, and revitalization of the Economic and Social Council so as to enhance its overview function.

With regard to operational activities, the Nordic proposals for improved governance of funding bodies and their financing deserved close consideration. With regard to the deliberative functions of the United Nations, he strongly endorsed one of the options put foward by the Nordic countries, namely that the Council should subsume the functions of the Second and Third Committees of the General Assembly. Furthermore, the creation of the proposed Commission on Sustainable Development and the assignment to the UNCTAD Trade and Development Board of functions similar to those of a commission in its relationship with the Council, would represent a considerable rationalization of the annual intergovernmental debates on economic and social issues.

(Mr. Al-Hamad)

He welcomed the emphasis placed by the Secretary-General on strengthening the early-warning capacity of the Secretariat and on its ability to analyse emerging issues. If the regional commissions could provide policy analyses and recommendations for individual developing countries, as OECD did for the developed market economies, it would represent a major contribution and fill an important gap in the system.

Mr. PRESTON (President, World Bank), replying to a question raised by the representative of Canada, pointed out that concern for sustainable development was an integral part of all World Bank initiatives. It was now widely accepted that development and environment were inextricably linked, and environmental-impact studies were undertaken as an essential part of the process of assessing credit availability.

Replying to a question by the representative of Malaysia, he noted that the issue of governance for the Global Environment Facility had yet to be resolved. There would certainly be greater participation by developing countries but no formal decision on specific rules had yet been taken.

Mr. CAMDESSUS (Managing Director, International Monetary Fund), replying to questions concerning smaller executive boards, said that in his view the present system of constituencies worked well. It enabled important decisions to be taken quickly and efficiently and generally led to consensual decisions.

In reply to the concern expressed by the representative of Malaysia that resources were being diverted from the poor countries to the Commonwealth of Independent States and the Eastern European countries, he pointed out that the countries in question were members of the institution and had the same rights and obligations as other members. Structural-adjustment programmes were being negotiated with all those countries under the same terms and conditions as for other members. In any case, allocating resources to one country did not mean that they were being diverted from another, since IMF was a quota-based institution. Due weight should also be given to macroeconomic considerations and it was vital to help the countries concerned to find the quickest route to sustainable growth. If those efforts were successful, the benefits would be

(Mr. Camdessus)

felt by all countries, particularly those in neighbouring regions which had suffered following the collapse of the Soviet Union.

In reply to the concern that not enough was being done to stimulate growth in industrialized countries, he repeated his earlier statement that successful adjustment in the developed countries was vital to the progress of the developing countries. He agreed with the representative of Ethiopia that trade liberalization was of benefit to everyone and was desirable even if it was not reciprocated.

In reply to the representative of Morocco, he stressed that social measures were not intended merely to offset the harsh effects of structural adjustment but must be at the centre of growth strategy. In that connection, he pointed out that the main aim of structural adjustment was to achieve growth and that if IMF advocated economic stability, balanced budgets, cutting budget deficits and reducing inflation, it was only because those were the most effective ways of achieving sustainable growth.

Mr. DUNKEL (Director-General, General Agreement on Tariffs and Trade) stressed that the Uruguay Round was genuinely multilateral in nature, although some countries might bear more responsibility than others for its success. It was noticeable for the first time that the developing countries were keen to conclude the negotiations, while the industrialized countries were still dragging their feet.

On economic issues the developing countries were themselves divided as to the desirability of unrestricted trade. Many of them, for example, were keen to retain subsidies for agricultural products, since they found that their economies were adversely affected by the high cost of such products.

With regard to the relationship between the international financial institutions and individual countries, he said that the machinery established within GATT to review the economic policy of each member country would undoubtedly prove very useful. Many of the developing countries, it should be pointed out, were adopting sound trading policies, while the industrialized countries were now often prepared to reappraise their own. No country would be "left by the wayside" or called upon to achieve the impossible in implementing the decisions of the Uruguay Round.

(Mr. Dunkel)

It was inappropriate to accuse GATT of indifference, or indeed hostility, to environmental issues: its approach was to leave Governments with wide discretion to pursue their own development policies, provided that they did not resort to protectionism. The difficulty lay in persuading some countries to refrain from imposing environmental policies which other countries were not in a position to sustain. A working group had been established within GATT to examine the issue. It was also hoped that, once the Uruguay Round had been completed, the working group could turn its attention to the question of harmonizing trading goals, with particular emphasis on the need to avoid punitive practices.

Mr. DADZIE (Secretary-General, United Nations Conference on Trade and Development) said it was to be hoped that the Uruguay Round would result in benefits for all nations, but it should not in his view be regarded as the culminating point of multilateral trade negotiations, since recent developments in the world economy clearly called for further study and change.

Mr. PRESTON (President, World Bank), replying to a point raised by the representative of Morocco, said that the social dimension of structural readjustment was not merely a recent concern of the international financial institutions, which were well aware that adjustment could be arduous and extended, and in any case neither short nor sharp, as some of its advocates had claimed.

He agreed with the representative of Malaysia that there should be harmonization between the policies of the Bretton Woods institutions and those of the Group of Seven, and consultative bodies were endeavouring to achieve greater coordination in that respect.

Baroness CHALKER of WALLASEY (United Kingdom), speaking on behalf of the European Community and its member States, said that it had sometimes been argued that the main problem with structural adjustment-programmes was that, while they produced great long-term benefits, the short-term political and social costs were often too high for Governments to sustain. The views of the heads of agencies on that issue, and their assessment of the efforts undertaken to ensure that the burden of structural adjustment did not fall primarily on the poorest sectors of society, would be welcome. Too often, a

(Baroness Chalker, United Kingdom)

supportive economic-policy framework was interpreted as implying a transfer of resources, but economic policy clearly had a wider scope, since the industrialized countries had a particular responsibility to intensify their efforts to invigorate world economic growth.

It was also frequently asserted that a shortage of global savings was likely to be a constraint on further growth and investment, and the heads of agencies might wish to comment on how far they perceived that to be a threat. External indebtedness was also seen as an impediment to growth in many developing countries, but the challenge facing the international community was to ensure that such debt-burdens were within the payment capacities of the debtor countries.

It was disturbing to note from the UNDP human development reports that development policy was insufficiently focused on human development. Both national policies and international aid programmes often failed to give sufficient weight to basic needs like primary education and health care. The focus should be on the poorest countries and on the poorest people in wealthier countries, with particular emphasis on health, family planning, literacy and people-based wealth creation.

The dramatic changes that had taken place in Central and Eastern Europe and the former Soviet Union had continued apace in recent months. The period of transition would be just as difficult as it had been in many other countries, but the European Community was confident that, with time and appropriate external support, all countries would gain from the opportunities brought about by the revitalized economies in the East. The Community was also sensitive to concerns regarding the implications for aid, trade and investment and technology flows to developing countries of the strong support being provided for reform in Central and Eastern Europe and the former Soviet Union, but it was determined that they would not undermine the European Community's commitment to cooperation with the developing countries.

It would be useful if the heads of agencies could briefly outline their views on how to reconcile support for Eastern Europe and the former Soviet Union with cooperation with the developing countries. Given the large number of international organizations involved in the region, it would also be

(Baroness Chalker, United Kingdom)

helpful if they could say something about the ways in which the agencies were seeking to ensure effective coordination of their activities in the region.

Mr. AHTISAARI (Finland) said that there seemed to be a general recognition that adjustment programmes had improved, that they now took into account the individual features of specific countries, and that the human aspects of adjustment should not be neglected. It should be borne in mind that the World Bank provided more technical assistance than the entire United Nations, and consideration should be given to establishing a proper division of labour between the two organizations.

Mr. GRANT (Executive Director, United Nations Children's Fund) said that, although the representative of the World Bank was clearly aware of problems of social policy, the attention paid by international financial institutions to social issues was still too episodic. It should not be overlooked that economic growth and the development of human resources were not incompatible but complementary. Against that background, greater attention should be paid to the possibility of allocating up to 20 per cent of development assistance to providing basic essentials, as against the current 6 per cent.

Mr. NAKAJIMA (Director-General, World Health Organization) said that discussion within the revitalized Economic and Social Council should focus on four main areas, namely, peace-keeping and its contingent problems (such as refugees), post-conflict rehabilitation, sustainable development, and assistance to countries undergoing structural adjustment. It was to be hoped that consistent attention to those major issues would result in a coherent, system-wide policy towards social questions.

The PRESIDENT said that there seemed to be a general awareness that, in a world in which ideological conflict was no longer an overriding concern, social issues should come to the forefront of the international community's attention. For that reason, it was essential to establish a fruitful dialogue between the United Nations and the Bretton Woods institutions in the interests of determining priorities.

The meeting rose at 1.20 p.m.